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ABSTRACT

Higher education structures need to be redesigned to make them more responsive to the public's demand for more attention to teaching and learning and the reality of limited financial resources. The enterprise model can serve as a 21st century paradigm, with three new "tools": (1) customer influence on delivery of services; (2) accountability driven by those served--including students, parents, employers, and units both on and off campus; and (3) the assumptions that students want high quality education and can be trusted and that faculty want to perform and are highly energetic about their work. The proposed higher education model "unbundles" the current system--separating its functions into public enterprises, each accountable to its own customers. These enterprises would not receive legislative appropriations, but would earn revenues through service contracts. The model is structured as a family of public corporations operating under the guidance of the Higher Education Policy Board. Corporations include the learning connection, learning bank, and four educational enterprises (teaching, learning resources, learning technology, and facilities). Day-to-day operation of the model is outlined in four areas: learner services, programs, infrastructure, and governance. Two different paths toward implementation of the model are described: moving an entire higher education system toward the enterprise paradigm, or establishing only one of the enterprises at first. (JDD)

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ED 370 492

A MODEL FOR THE REINVENTED HIGHER EDUCATION SYSTEM

State Policy and College Learning

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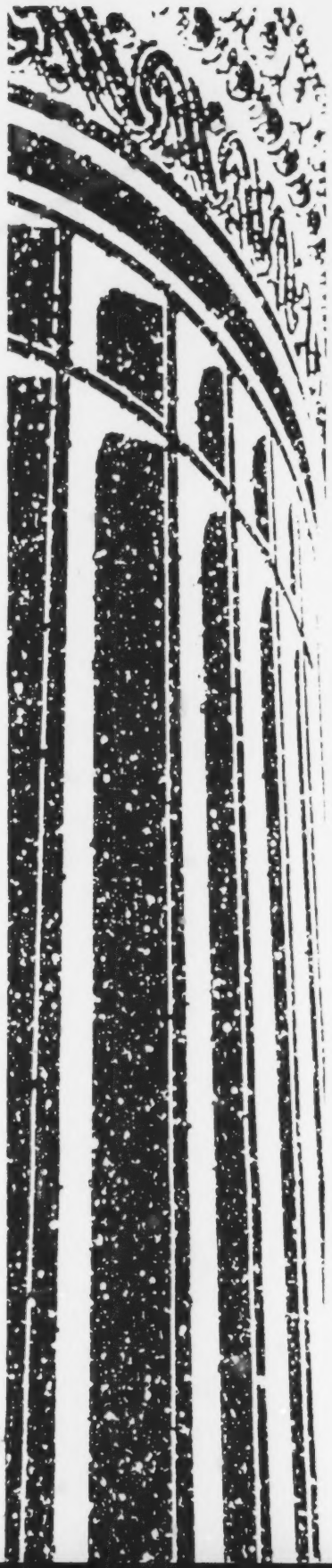

A MODEL FOR THE REINVENTED HIGHER EDUCATION SYSTEM

STATE POLICY AND COLLEGE LEARNING

Babak Armajani
Richard Heydinger
Peter Hutchinson

January 1994

A joint publication of the State Higher Education Executive Officers and the Education Commission of the States, with support from the Pew Charitable Trusts.

STATE HIGHER EDUCATION EXECUTIVE OFFICERS

The **State Policy and College Learning** (SPCL) project was initiated by the Education Commission of the States, with primary funding provided by a grant from the Pew Charitable Trusts. The project was undertaken because of a strong concern that there are serious disincentives in higher education that diminish faculty commitment to teaching, particularly with regard to the impact of state policy on institutions. Countering these trends requires nothing short of a fundamental transformation of institutional, system, and state policies regarding finance, governance, and management. To that end, the project seeks to foster a new vision of the kinds of state policies that support a resurgence of attention to creativity and innovation in college teaching.

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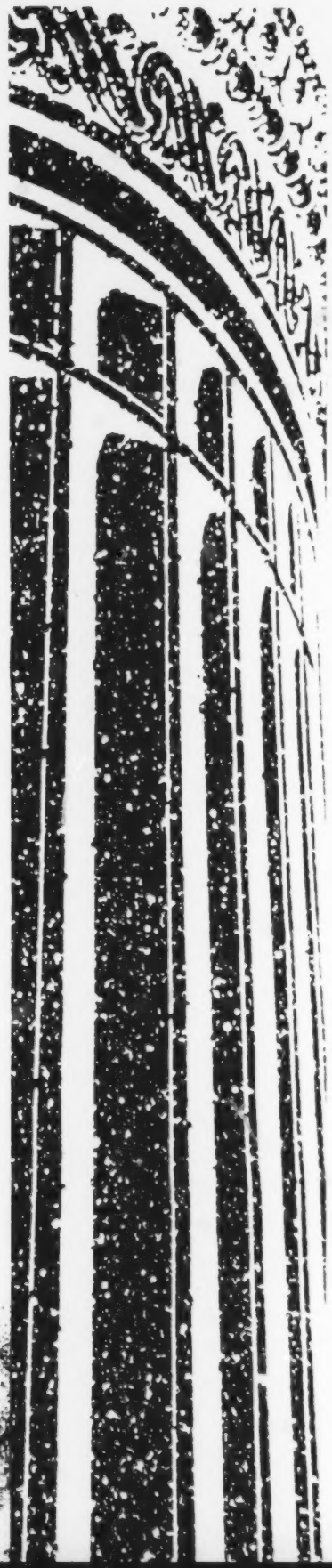
The State Higher Education Executive Officers is a nonprofit, nationwide association of the chief executive officers serving statewide coordinating and governing boards of postsecondary education. Forty-nine states, the District of Columbia, and Puerto Rico are members.



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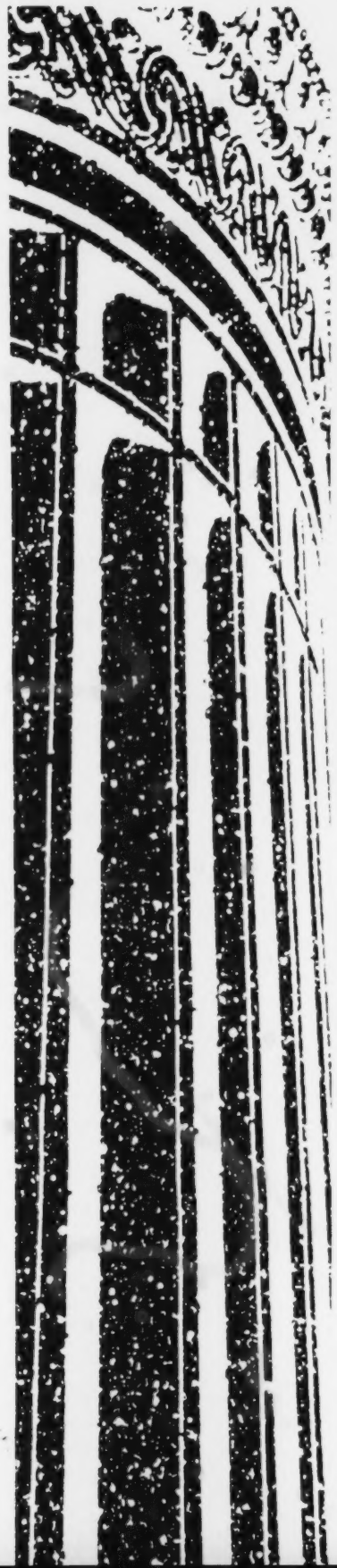
Peter Hutchinson is a founder of the Public Strategies Group, Inc. Prior to founding PSG, he served as Minnesota's Commissioner of Finance, Vice President of External Affairs for the Dayton Hudson Corporation, and Chair of the Dayton Hudson Foundation. Hutchinson has taught at Princeton, Indiana University, and the University of Minnesota. He recently co-authored "Enterprise Management: Designing Public Services as if the Customer Really Mattered."

The Public Strategies Group recently received national attention when the firm was asked to provide the Minneapolis Public School system with leadership services and was designated to fill the role of school superintendent.

Richard Heydinger is Executive Director of the Alliance for Higher Education, a coalition of institutions in Minnesota and North Dakota seeking new solutions to issues of effectiveness. He has worked on a number of projects in collaboration with the Public Strategies Group. Prior to 1993, Heydinger served as Vice President of External Relations and Senior Assistant to the President, both at the University of Minnesota. His recent publications include the SHEEO/ECS monograph, "An Agenda for Reshaping Faculty Productivity," and a chapter, "The Paradigmatic Evolution of Higher Education," in the *Higher Education Handbook of Theory and Research.*



FOREWORD

It is not often enough that we have an opportunity to publish work so fresh and provocative that it can stir the pot of higher education. Many people may take exception with some of the ideas in this paper; some may even disagree strongly. But all, we suspect, will be challenged—even provoked—into thinking in a new light about higher education institutions.

The authors have done what we have asked of them—to consider how we might redesign higher education structures to make them more responsive to two external forces: the public's demand for more attention to teaching and learning and the reality of limited financial resources. In response, they have presented a new organizational model for us to consider—a model that illustrates the stark contrast between current structures of higher education and the trends in organizational management in other sectors.

One of this proposal's basic principles is responsiveness to "customers," a term that continues to create great discomfort among many in higher education, especially faculty. Armajani, Heydinger and Hutchinson remind us that customers include not only students, but also other "enterprises": state government, employers and private industry, and our communities, as well as units within the institution. More importantly, this terminology reminds us that the purpose of higher education ultimately lies *outside* the organization.

The paper that follows requires that we rethink our accountability structures. For the most part, accountability debates and reports take place in a closed loop between administrators and public officials, with students, faculty, and other principals in the enterprise notably absent. The Armajani-Heydinger-Hutchinson model pulls these parties directly into the accountability stream.

For faculty, the authors' "unbundled," enterprise approach means a dramatic new relationship between institutional leaders and managers, one with potential to gain commitment to the concerns of customers, especially students and employers. At the same time, the new approach unleashes entrepreneurial skills to serve a variety of society's teaching, research, and service needs.

Technological developments appear to be especially relevant to the enterprise model. State higher education systems need to consider investing in new "horizontal" services that cut across boundaries of existing "vertical" universities. We may need to change our state investment strategies in libraries, for example, by moving from book and building purchases to funding new, multi-institutional and even national networks to provide access to worldwide collections. Given the potential of distance learning, faculties may be soon serving many institutions rather than just their own.

The proposed enterprise model leaves many questions unanswered. How, for example, can important programs be maintained when there is no external demand? A "classics" program may seem vulnerable until it is related to the success of other programs and units. The enterprise model, however, should help higher education to ask *and* to answer such questions more explicitly than in the past, without necessarily determining what that outcome may be.

We hope you find this paper thought provoking and stimulating, and we welcome your comments.

James R. Mingle
Executive Director
State Higher Education Executive Officers

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Director, Policy Studies
Education Commission of the States

INTRODUCTION: NEEDED–A NEW TOOLBOX

Higher education is a thousand years of tradition wrapped in a hundred years of bureaucracy.

Roger Moe
Majority Leader, Minnesota State Senate

A few years ago the term *reinvention* would not have been uttered in the same sentence with *public policy*. Yet, in only a few short months, this term is at the center of many public policy debates.

Much of this attention has been brought on by the books, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* by David Osborne and Ted Gaebler, and *Breaking Through Bureaucracy* by Michael Barzelay and Babak Armajani. People's interest in these approaches has been heightened by the Clinton administration's embrace of the concepts necessary for "reinventing government." Local and state officials have also adapted and built upon these ideas as they search for new ways to tackle difficult challenges.

Even though "reinventing government" is a new concept, we contend that this family of ideas has both substance and power. Just as the principles of bureaucracy at the turn of the twentieth century were consistent with society's development, the principles of reinvention[1] and enterprise management[2] gain strength from their alignment with today's societal expectations and needs.

As colleagues of Osborne and Gaebler, we believe that enterprise management offers a useful "toolbox" for higher education to employ in responding to twenty-first century challenges. Widespread evidence suggests a societal paradigm shift is occurring, yet all too frequently higher education clings to its nineteenth-century toolbox, intent on repairing the old bureaucratic system.

> ***. . . higher education clings to its nineteenth-century toolbox, intent on repairing the old bureaucratic system . . . it is not the people who are at fault, but the system.***

If higher education remains behind the times, *it is not the people who are at fault, but the system.* The only available tools are those that the current higher education paradigm envisions or permits. But, hammers and nails cannot build skyscrapers, and 100-year-old blueprints cannot build the institution of the future.

Today, many state legislatures are concerned about the quality of teaching. This shows itself when legislators pummel the academic community about productivity levels and request yet another faculty-productivity study. In response, campus administrators use the available tools: they complete the requested study, they draft more rules about teaching loads, and they remind the academic community about the importance of teaching. In other words, these leaders use existing tools—and therein lies the problem.

As long as the toolbox contains only outmoded tools from the current paradigm, higher education leaders cannot address the deeper challenges facing their institutions. As someone once observed, when all you have got is a hammer, everything looks like a nail. To be effective in today's changing world, we need new tools for a new paradigm.

NEW TOOLS FOR A NEW PARADIGM

A twenty-first century paradigm, one we call the enterprise model, calls for three new items in the toolbox of enterprise management: focus on the customer, accountability for outcomes, and more positive assumptions about student and employee motivation.

Many in higher education recoil at the word *customer*. They believe that education has a higher purpose than selling products like detergent or garage door openers. Nevertheless, we prefer and use the word *customer* because we believe it is an important reminder that higher education is in business to serve others, not to perpetuate itself or to make self-interested choices. Like the well-known organizational theorist Peter Drucker, we believe that the purpose for organizations resides outside the organization.

Higher education today lacks focus on customers and their needs. It is still the rare institution that consults with students on the design of curriculum or thoroughly evaluates students' experiences in earning their degrees. In fact, there is an inherent assumption that we, the providers, are in the best position to decide what is best for students.

The first new tool, therefore, is the assumption that services are more likely to meet customer needs if customers can influence delivery. This does *not* mean that students should design the curriculum. They are not the experts; faculty members are. Today's outcry for higher education reform is, in part, the result of legitimate public concern about whose interests are really being served by decisions and policies—are they those of the faculty, the institution, or the student-customer? Making enterprises accountable to their customers alleviates this concern, both in perception and in reality.

Providing accountability for outcomes is the second tool for recreating institutions. In today's higher education paradigm, we look upwards within the organization for our accountability. We receive State appropriations, so we are accountable to the legislature. Department heads and disciplinary colleagues award grants and conduct peer review, so individual faculty look no further for approval.

> ***... we prefer and use the word customer because ... it is an important reminder that higher education is in business to serve others, not to perpetuate itself or to make self-interested choices.***

In the enterprise paradigm, on the other hand, departments themselves are held accountable for measurable results. It is not enough that a course is offered; student outcomes in the course must be evaluated, providing one more circular linkage to customer satisfaction. Accountability is driven by those served—including students, parents, employers, and units both on and off campus.

The third powerful tool of the enterprise model is a more positive assumption about student motivation and employee trust. In today's higher education paradigm, bureaucratic rules and procedures seek to ensure the orderly conduct of academic life. But, stu-

We believe strongly that faculty do want to perform.... If we want more emphasis on teaching... we must change the incentives and reward creativity and entrepreneurship wherever it occurs.

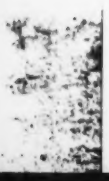
dents have busy lives with many demands. They recognize that increasing red tape needlessly complicates their experiences; and they are the first to know when requirements are built on lack of trust, serving providers rather than customers. The enterprise model assumes that students want high quality education and that they can be trusted to take responsibility for their actions. This view stands in contrast to the converse assumption that we cannot trust them.

In employment practices, the current higher education paradigm is a contradictory mixture of bureaucratic and enterprise principles. Many support functions (for example, travel expenditures, accounting, and purchasing) are governed by expensive bureaucratic controls. Typically these functions are not designed to serve the real customer (in this case the faculty and staff) but to facilitate bookkeeping procedures. Implicit in many current practices is the message, "We don't trust you." But higher education relies on creativity, best nurtured in a climate of trust and high expectation.

The research enterprise has traditionally flourished because a strong set of entrepreneurial incentives (grant awards and peer recognition) has been coupled with a powerful feedback system (peer review).

Teaching has lacked comparable rewards and expectations. As a result, students, parents, employers, and legislators have become increasingly critical of higher education. Frequently, this message takes the form that faculty are not productive. We believe strongly that faculty do want to perform and that they are highly energetic about their work. It is not accidental that American higher education is the envy of the world.

American higher education has earned this deserved respect in research and student access. But, admirable though these accomplishments are, they are no longer enough. If we want more emphasis on teaching and higher quality graduates, we must change the incentives and reward creativity and entrepreneurship wherever it occurs.



Experience has shown us that little changes when presidents and legislators give exhortations on the importance of teaching and then attempt to address these concerns with increased rules and regulations—all part of the current paradigm. We believe instead that gaining a much deeper understanding of the expectations of our customers, revising the accountability structure, and changing our assumptions about faculty and staff motivation are tools that can yield a more effective higher education system.

To respond to the rapidly changing needs of the twenty-first century, therefore, higher education must become mission-driven, customer-sensitive, enterprise-organized, and result-oriented. We must drop the assumption that we alone know what is best for the student. We must understand that reorganizing one or two parts of the traditional system will not deliver the needed results.

Only by creatively rethinking the entire system from the multiple perspectives of consumer, provider, and overseer will we be able to meet the educational demands of future generations and assure the vitality of American higher education.

To respond to the rapidly changing needs of the twenty-first century . . . higher education must become mission-driven, customer-sensitive, enterprise-organized, and result-oriented.

THE FOCUS OF THIS PROPOSAL

While our focus is on the statewide, multicampus, public higher education system, much is applicable (with some minor modification) to individual institutions or campuses, public or private.

Our proposal is in three sections: 1) a description of the reinvented higher-education enterprise model, 2) an examination of how this model would function, and 3) a recommended set of strategies for implementation. A brief afterword anticipates the questions that may be asked about our proposal.

SECTION 1: UNBUNDLING THE ENTERPRISE

The assumption of "one organization" is the mold in which all efforts at improvement are presently cast. This is the mold that needs to be broken.
Ted Kolderie[3]

Our model for reinventing higher education "unbundles" the current system—separating its functions into a collection of *public enterprises,* each accountable to its own customers, as illustrated in figure 1.

A public enterprise is a corporation with a public body as the major stockholder. Although the higher education enterprises we propose would be established by the state, and therefore would be public bodies, they would NOT receive legislative appropriations. Their revenues would be earned through contracts for services. In all respects, they would behave like private corporations—hiring, signing contracts, and receiving and expending resources. Most current employees of higher education institutions would become employees of these new enterprises, which would assume responsibility from state offices for employee contracts and benefits.

This type of public enterprise is not a new or revolutionary concept. In Canada, Crown Corporations have long existed as entities of the federal and provincial governments. In Minnesota, through the joint powers agreement, governmental bodies may join to form their own corporations.

Public enterprise is no stranger to higher education. Many highly effective, long-established examples of enterprise management already exist. For example, many non-credit programs are "tubs on their own

UNBUNDLING THE ENTERPRISE

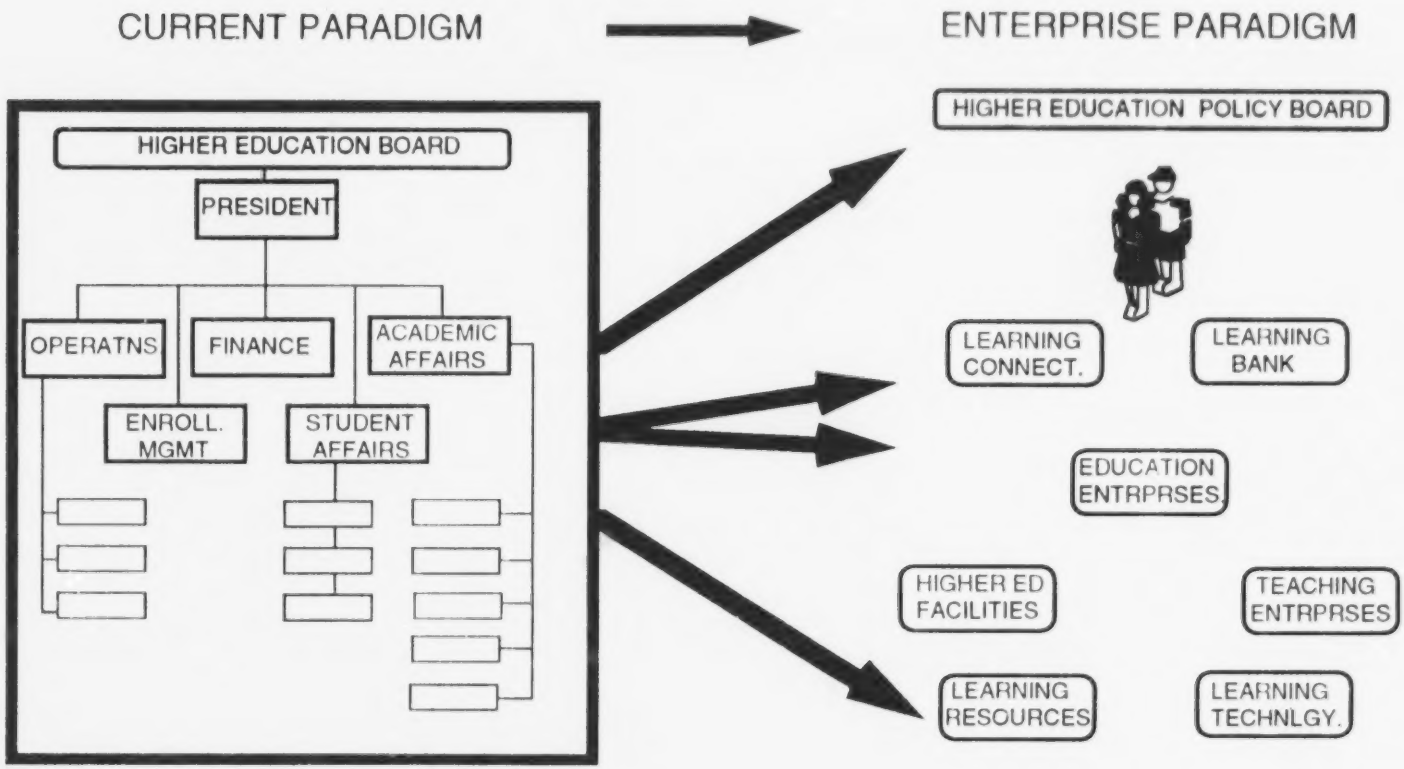


FIGURE 1

[Enterprise management] is defined by the answers to three key questions: Who is the customer? What is the result or outcome to be produced? What incentives should be in place to ensure that the customer receives the most value for the price being charged?

bottoms" that contract with faculty for instructional services. Research activities in our universities also typically embody enterprise principles; auxiliary services such as parking are quasi-independent enterprise organizations on many campuses. Our proposal builds on these successes by extending the concept of enterprise management system-wide.

Each enterprise is defined by the answers to three key questions:

- Who is the customer?
- What is the result or outcome to be produced?
- What incentives should be in place to ensure that the customer receives the most value for the price being charged?

By unbundling higher education's activities, the scope of each enterprise can be more narrowly focused. As a result, administrators can develop more effective incentives tailored to their individual enterprise's objectives.

In the current paradigm, policy makers in higher education must carefully balance a host of competing, often contradictory objectives. For example, is student desire to have senior faculty in the classroom more critical than the institution's research reputation, which also relies on senior faculty to generate grants and contracts? Just as the public suspects, the interests of those closest to the decision-making authority (that is, faculty and staff) usually prevail, sometimes resulting in disservice to the customers.

In the enterprise model, there is a much higher level of systematic accountability. Public scrutiny is not obstructed; it is enhanced.

In this model, customers determine the service mix, the prices, and the definition of quality, meaning that legislators or system governing boards no longer need to guess at supply/demand questions, resource allocation, pricing, or quality standards that tend to become quickly obsolete. Nor will they have to untie the Gordian knot of competing de-

mands that now constrain the higher education system.

Because customer satisfaction will directly affect revenues in the new system, the bottom line will be to provide value to customers. This kind of clear, uncomplicated funding structure guarantees transparent, immediate consequences for success or failure. Public accountability at last becomes authentic.

In the enterprise model, there is a much higher level of systematic accountability. Public scrutiny is not obstructed; it is enhanced. . . . Public accountability at last becomes authentic.

THE REINVENTED SYSTEM: A FAMILY OF HIGHER EDUCATION ENTERPRISES

Our model for unbundling higher education is best described as a family of public corporations operating under the broad guidance of the Higher Education Policy Board. A system overview is presented in figure 2, with each enterprise shown separately. The diagram highlights the relationships between customers and providers.

THE HIGHER EDUCATION POLICY BOARD

This board of system overseers is appointed by the governor or state legislature, or elected by the citizenry. It sets policies, develops incentive systems, reviews the performance of each of the enterprises, and is ultimately responsible for the quality and cost-effectiveness of the state's higher education services. It does not, however, develop specific policies and procedures for the other public enterprises comprising the system. This board ensures that students receive effective services, but it does not dictate how enterprises achieve that level of service.

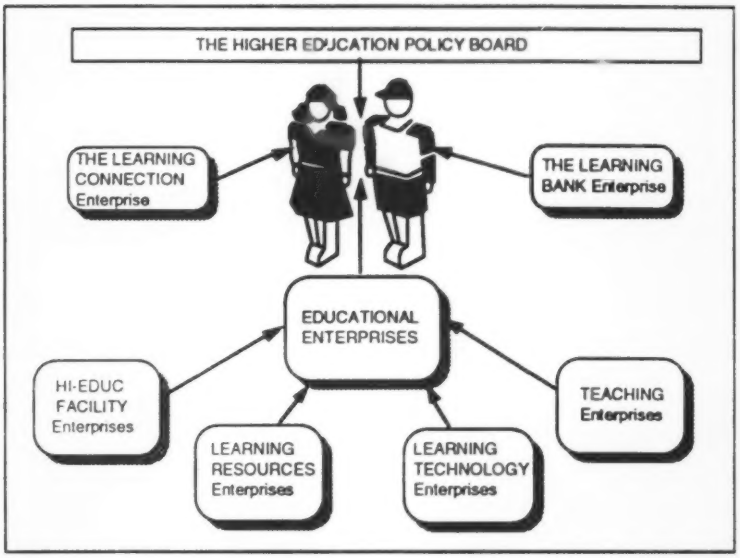
Depending on the scope of responsibilities invested in this board by the legislature, it could also set state financial-aid policy and determine the level of state support each student will receive. Such decisions also could be made by the legislature itself and then executed by the board.

THE LEARNING CONNECTION

The Learning Connection has two integrated responsibilities: assisting students in making choices about their educational options, and evaluating the annual performance of each educational program in the system.

A Reinvented Higher Education System

Figure 2



- **The Higher Education Policy Board** - The statewide board responsible to the state government for overseeing the delivery of high quality educational services to the citizens of the state.

- **Learning Connection Enterprise** - a public corporation established to serve as agents of the learners in offering assessment and referral services.

- **Learning Bank Enterprise** - a public corporation set up to link learners to financial aid, state appropriations, and other financial support for their education.

- **Educational Enterprises** - educational organizations chartered by the Higher Education Policy Board to serve the needs of learners, each with a specific mission and focus; they purchase instructional services, contract for academic support, and rent facilities from public corporations and private vendors.

- **Teaching Enterprises** - public corporations set-up by faculty to provide instructional services to Educational Enterprises.

- **Public Higher Education Facility Enterprises** - public corporations set up to own and manage the facilities of the Hi-Education Policy Board.

- **Learning Resources Enterprises** - public corporations set up to provide learning resources such as library materials in support of instruction and scholarship.

- **Learning Technology Enterprises** - public corporations set up to provide technology services to Educational Enterprises, Teaching Enterprises and others.

The former is accomplished by assessing student skills and competencies, by maintaining keen awareness of changing marketplace demands, and by housing extensive information on the nature and quality of programs offered throughout the system.

These services are subsidized by sliding-scale fees to students based on their ability to pay or by state allocations based on volume and quality of services.

To offer effective student counseling, the Learning Connection needs comprehensive, timely data on program effectiveness. Collecting that data means analyzing the changing expectations of employers and feeding that information back to both students and enterprises. The Learning Connection is paid for these evaluations by the Higher Education Policy Board, which also uses these data to gauge the overall effectiveness of the system.

The Learning Connection might have an additional, powerful responsibility—certifying student outcomes. For example, upon completion of the general education requirements, the Learning Connection could assess each student's ability across certain basic skills. As an ancillary service, this enterprise also could provide focused skill assessment of graduates for clusters of private corporations.

Our model for unbundling higher education is best described as a family of public corporations . . .

THE LEARNING BANK

This bank maintains the postsecondary educational account of all citizens in the state. All financial aid (including federal, state, and private awards) is deposited here to be drawn upon by individual students. Student eligibility for grants, work, and loans continues to rely on the same policies in effect today. The Learning Bank also deposits in its account the state support for each student. For example, in Minnesota the state directly supports 60 percent of a student's public higher education cost through its biennial allocations to institutions.

In this new model, students draw on their accounts (activated upon enrollment in an

accredited postsecondary program) as bills come due. They pay the Educational Enterprise in which they are enrolled with a combination of tuition, financial aid, and state appropriation, depending on state and federal policies.

The Learning Bank operates state-wide. This means that individual campuses do not need to maintain extensive financial-aid systems, nor do they compute state allocation requests according to enrollment-driven formulae.

The Learning Bank works like a voucher system, encouraging student choice across a wide variety of institutions. Students can take their full educational support, as set by state policy, to the Educational Enterprise of their choice. State policy might permit only public institutions to draw on accounts from the Learning Bank; alternatively, some states might even decide it is in their best interest to permit citizens to use their educational account at any accredited institution, public or private.

A secondary function of the Learning Bank could be to encourage savings for education. The state could provide incentives (matching funds, tax advantages) to parents and relatives who want to open an account for a child. The Learning Bank, in the business exclusively of assisting students and families in planning and paying for their education, would see it in their best interests to stimulate personal savings for higher education.

EDUCATIONAL ENTERPRISES

From the student's perspective, Educational Enterprises are the counterpart of today's colleges and universities. Each enterprise is chartered by the Higher Education Policy Board to provide degree programs and instructional services.

Each enterprise could have a distinct educational mission and environment. Some might emphasize the traditional undergraduate experience while others might focus on the arts or on science and technology. To fulfill its unique mission, each enterprise would purchase instructional services, rent facilitates, and contract for academic support among both public and private vendors.

One advantage of their diversification would be that no one enterprise would have to include the whole range of educational options, thus providing more flexibility to recombine and repackage the state's higher education services as student needs change.

TEACHING ENTERPRISES

Teaching Enterprises are collections of faculty members organized to provide instruction and services to one or more educational enterprise. The focus of each might be a discipline, problem, or field of interest. For example, an organization might narrowly define itself by a single discipline such as biochemistry, or encompass a group of disciplines like fine arts, or focus on a specific problem such as water.

Alternatively, these enterprises might be defined by a particular pedagogical style. For example, a group of faculty might come together around active learning or computer-mediated instruction. Another enterprise might be organized according to its customer base. For instance, one enterprise might specialize in providing instructional services to the deaf.

The structure of each Teaching Enterprise could vary—some might be public corporations, private organizations, or even single individuals. A single organization might also serve more than one educational enterprise. Certification criteria for such enterprises would be set by the Higher Education Policy Board.

This proposal is not a privatization model.... Each of the higher education enterprises is a public corporation directly accountable to its customers.

Educational Enterprises would contract with these organizations to provide instructional services. For smooth transition to the enterprise model, existing employment contracts in public colleges and universities would be transferred. Faculty could be tenured in the organizations if members believe it a necessary safeguard against intrusions into academic freedom. Each enterprise would set its own teaching, research, and other policies. Although they could have formal collective bargaining agreements, it seems unlikely they would need them.

The creation of separate Teaching Enterprises is a fundamental change in the organization of higher education and would result in an important advantage: the clarification and disentanglement of competing objectives in the bureaucratic system.

...budget size is determined by each enterprise's ability to provide high quality service at a good value, not on its ability to plead a convincing case before the state legislature.

This change would give each enterprise greater freedom to set incentive structures tailored to specific objectives and to the needs of particular customers. For example, if an Educational Enterprise wanted more senior faculty to teach introductory courses, it could change its incentives to make it advantageous to the Teaching Enterprise to assign senior faculty to introductory courses. If a few senior faculty members did not want to teach introductory courses, they would not be forced to do so; however, they would have to understand that the incentives offered by the Educational Enterprise might not be as rewarding.

The fiscal health of both Teaching Enterprises and Educational Enterprises would rely on satisfying customers, as well as on satisfying one another. However, each entity would have the freedom *and incentive* to generate revenue from other sources. For example, a biology faculty member might contract to assist the State Department of Natural Resources, offer after-school labs for junior high students, seek federal research grants, or offer scholarly expertise to a nearby private liberal arts college. Marketplace pressures would lead Teaching Enterprises to deploy their faculty in service areas where they are most skilled, thereby delivering higher quality service and maximizing revenue.

With a wide variety of separate Teaching Enterprises, each campus would no longer need to reinvent the wheel for its own institution. Administrators of each Educational Enterprise would now have the flexibility to select those instructional resources that best meet the specific instructional needs of the population being served.

FACILITY ENTERPRISES

Facility Enterprises operate and maintain all buildings systemwide, with the goal of producing the best possible return on the public investment in these assets. Although Educational Enterprises are their primary customers, Facility Enterprises also would have strong incentives to use the buildings they manage to increase their own revenues. For example, they could rent space to more than one Educational Enterprise or create opportunities for the community to take full advan-

tage of these local resources. Campuses might then become seen as true community assets.

One major advantage of the enterprise system is that it encourages Educational Enterprises to focus on the business of education by eliminating the distractions of managing real estate. Another is the adaptive fluidity it provides for enterprises. As the system takes hold, both Educational Enterprises and Teaching Enterprises would be able to broaden their perspectives on the delivery of education. Educational Enterprises would not be tied to a particular location, and Teaching Enterprises would not be tied to a specific Educational Enterprise. Incentives would exist to encourage both enterprises to provide services in multiple locations throughout the state.

LEARNING RESOURCES ENTERPRISE

The Learning Resources Enterprise owns and operates library resources, including books, serials and the full panoply of videos and video discs, computerized data bases and data base services, on-line catalogs, and capabilities for ordering reprints through an on-line service. Both Educational Enterprises and Teaching Enterprises would contract with the Learning Resources Enterprise for service and support.

LEARNING TECHNOLOGY ENTERPRISE

Educational Enterprises, Teaching Enterprises, and the Higher Education Policy Board would contract with the Learning Technology Enterprise for computing, telecommunications, and multi-media services. Its function and purpose would resemble that of the Learning Resources Enterprise. Given the trend of merging libraries and information technology services, these two enterprises might actually be a single entity.

A FEW CAUTIONS IN INTERPRETING THIS PROPOSAL

This proposal is *not* a privatization model. Privatization, as practiced by many governments today, means contracting with private companies to perform certain services such as trash collection. Often this means replacing a public bureaucracy with a private one that does not necessarily have any more interest in serving the public and probably considers its customer to be the agency that signed its contract. In contrast, each of the higher education enterprises is a public corporation directly accountable to its customers.

The performance of these enterprises is open to public review and comment. The effectiveness of each enterprise will be apparent from the size and diversity of its revenue streams. If customer needs are being met, business will be good. Thus, budget size is determined by each enterprise's ability to provide high quality service at a good value, not on its ability to plead a convincing case before the state legislature.

SECTION 2: SERVICES PROVIDED—THE ENTERPRISE PERSPECTIVE

To bring our proposal from the abstract to the concrete, it is helpful to trace the day-to-day operation of four areas:

- learner services,
- programs,
- infrastructure, and
- governance.

To simulate these operations, we trace interactions between the various enterprises shown in figure 2.

LEARNER SERVICES: HOW DOES A STUDENT MATRICULATE?

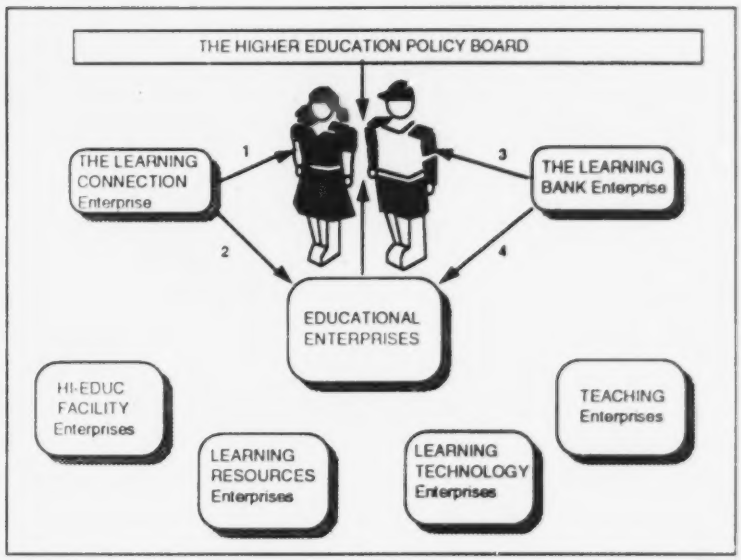
As students contemplate decisions about postsecondary education, they visit a Learning Connection that assesses their aptitudes, capabilities, and interests. The Learning Connection receives high school transcripts, and test scores are available directly from high schools. Older and transferring students assemble their credentials themselves or ask former colleges to forward them. By centralizing the collection of required admission materials and making them available to all educational enterprises within the system, the time and cost expended by students is reduced significantly (see figure 3).

Learning Connections have extensive information on all postsecondary programs, including performance and quality data. Counseling is available to both traditional students and returning adults. Students pay a sliding-scale fee, or the state pays for this service based on the number of students served and range of services provided. Learning Connections are located throughout the state, in high schools and other easily accessible places.

LEARNER SERVICES

Student Matriculation and Program Enrollment

Figure 3



1. As students consider their post-secondary options, they work with the Learning Connection to assess their capabilities and interests, and collect information on the availability and quality of educational and training programs.

2. Using the technology of the Learning Connection, students apply to the Educational Enterprises of their choice. The Enterprises make admissions decisions and notify students.

3. Accounts in the Learning Bank are activated by a parent's deposit, a student's deposit, arrival of scholarship funds, or admission's notification. The Learning Bank works with the student to determine financial aid eligibility, amount of state support, and expected personal contribution. These funds are deposited in the student's learning account.

4. When the student is issued a fee statement by the Educational Enterprise, it is paid by the student through her/his learning account.

Learning Connections have extensive information on all postsecondary programs, including performance and quality data. Counseling is available to both traditional students and returning adults.

For the first time, students have an advocate in the admissions process, and the revenue stream of that office depends on serving their needs. Whether disabled veterans, full-time employees seeking to upgrade their skills, or seventeen-year-old high school graduates, students are no longer dependent on college admissions officers (whose effectiveness is judged on how many students they enroll) nor on high school guidance counselors (who may be judged on the prestige of the colleges their graduates attend).

But, students are not the only beneficiaries from Learning Connections. Corporations hire Learning Connections to appraise them of the skills needed to remain competitive; in turn the Learning Connections counsel corporate employees on their postsecondary options to obtain these skills.

Upon enrollment in a particular program, students activate their learning accounts in the Learning Bank. This bank links each student to the variety of financial resources available to support the costs of attendance (for example, federal and state financial aid, loans, and even some private scholarships). The bank is also the depository for state appropriations supporting the cost of instruction, and it enforces state policy guidelines such as residency requirements for in-state tuition.

Whenever the state legislature changes funding policies (for example, it decides to limit the number of credits it will support or changes residency requirements), the Learning Bank is responsible for executing this policy change. This means that institutions no longer need to change their administrative system each time an appropriation groundrule changes.

Because state dollars are given to qualified learners via the Learning Bank rather than to institutions, performance incentives change dramatically. Educational Enterprises rely solely on student enrollment for the revenue stream that supports instruction.

To pay fee statements, students transfer funds from their learning account to the Educational Enterprise of their choice. In today's world of electronic-funds-transfer, none of

these transactions necessitates physically moving paper or money. These processes are shown schematically in figure 3.

This new scheme facilitates transfer between programs. Today, the "average student" attends more than two institutions while earning a baccalaureate degree. The Learning Connection and the Learning Bank offer a level of service often lost today as students run between bursars' and registrars' offices at various institutions. Students, as well as employers, now have a central location from which they can request a transcript. The state also has greater accountability because one entity traces the flow of students and enforces financing policies throughout the system.

The enterprise system thus rests on three important principles. First, it empowers the customer. Putting funds in consumer hands and providing improved information to make choices is a dramatic change that simplifies and strengthens accountability. Students choose the program that offers the greatest value for their limited dollars.

Second, it collects previously unavailable comprehensive program-performance data. These data enable Learning Connections to effectively execute their counseling responsibilities.

Because state dollars are given to qualified learners via the Learning Bank rather than to institutions, performance incentives change dramatically.

Third, it targets subsidies within this system in direct response to state needs and policies. For example, if the state desires more minority medical doctors, the state can increase the learning account for qualified minority enrollees in pre-medicine programs. These funds can even be targeted on a need basis.

Educational Enterprises, therefore, keep their focus on the business of providing effective educational services while the Learning Connection and the Higher Education Policy Board debate and formulate enrollment incentives. This level of accountability, detailed consumer information, and incentive targeting is unheard of in today's higher education paradigm.

This level of accountability, detailed consumer information, and incentive targeting is unheard of in today's higher education paradigm.

PROGRAMS: HOW DOES AN INSTITUTION DEVELOP ITS INSTRUCTIONAL OFFERINGS?

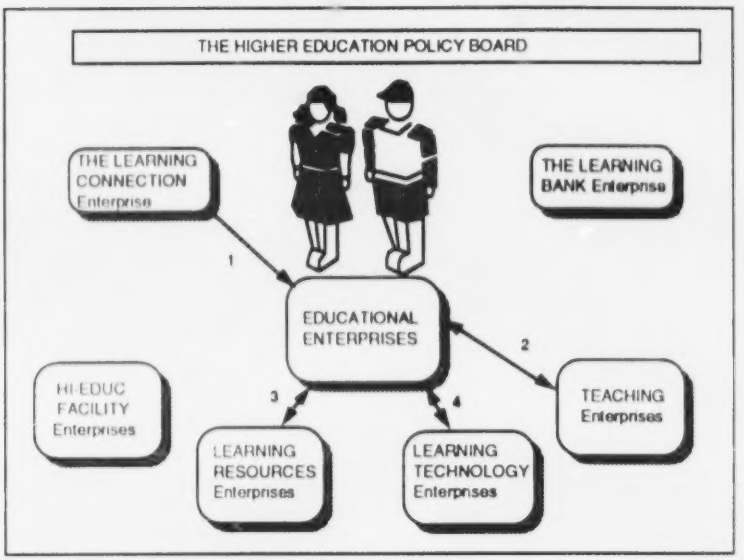
Educational Enterprises decide which programs and majors to offer, and they monitor the value, quality, and attractiveness of these offerings to students. Each year, Educational Enterprises review detailed quality assessment data provided by the Learning Connection prior to building a curriculum. In addition, the Learning Connection also provides trend data on skills, interests, and employment collected from students, prospective students, and employers (see figure 4). Educational Enterprises then project demand for the upcoming year and begin discussions with the Teaching Enterprises about the instructional services needed.

For example, an Educational Enterprise may be committed to raising the quality of instruction in the introductory biology series. From student assessment data, the Educational Enterprise knows that there is growing dissatisfaction with this important course series, particularly as judged by pre-medicine students. During its annual discussions with the biology Teaching Enterprise, the Educational Enterprise expresses a willingness to pay more for the introductory biology series if it includes a multimedia module that uses new interactive materials on CD-ROM. The Educational Enterprise knows that if this change is not made, it will be under pressure from both the Learning Connection as well as individual students to lower the price of the biology program or suffer significant decreases in enrollment.

Another Educational Enterprise may decide that more full professors need to teach introductory courses in English and American literature. The literature faculty may, however, be adamant that their Teaching Enterprise is not interested in such a change. The Educational Enterprise must now decide whether to change the incentive package for this Teaching Enterprise to attract more senior faculty to introductory courses or take the step of looking for another Teaching Enterprise to teach literature.

PROGRAMS
Developing the Fall Quarter Course Schedule

Figure 4



1. Educational Enterprises project their demand based on program assessment data which they collect for the Learning Connection and the Higher Education Policy Board. The Learning Connection sells the Educational Enterprises employer data and student assessment data which they have collected through their counseling activities.

2. Educational Enterprises update the "instructional services memoranda of agreement" with their various Teaching Enterprises.

3. Educational Enterprises update their working agreements with Learning Resources based on changes in the fall quarter course schedule and negotiate any substantive changes in level and type of services needed.

4. Educational Enterprises update their working agreements with Learning Technology based on changes in the fall quarter course schedule and negotiate any substantive changes in level and type of services needed.

In the enterprise system, incentives are more focused and directly felt by all involved. Conflicting interests . . . are separated into different organizations.

With this purposeful separation between Educational Enterprises (institutions) and Teaching Enterprises (faculty), faculty represent a portfolio of resources available to many different Educational Enterprises. Incentives encourage faculty members to "reach out" and make available their services—for a fee—to a wide variety of organizations (for example, grade schools, high schools, private corporations, or government agencies).

There are also powerful incentives to lower costs while raising quality. If a Teaching Enterprise is able to accomplish this, it can increase its price to the Educational Enterprises, enjoying increased revenue as a result of decreased expenses. Flexible resources are then available for sabbaticals, retooling, or salary increases.

FACILITIES: HOW ARE FACILITIES MADE AVAILABLE?

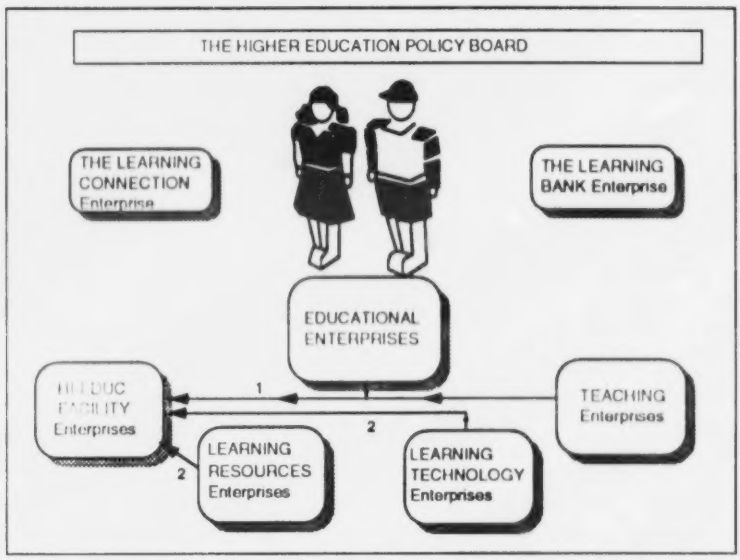
Working together, the Educational Enterprises and Teaching Enterprises make their needs known to the Facility Enterprise. Much like the discussions between the Educational Enterprises and the Teaching Enterprises, these negotiations focus on changes that lead to improvement over last year's performance (see figure 5).

For example, one Educational Enterprise may conclude that it can no longer afford to cover the costs of the underutilized astronomy building. It decides to exclude it from the contract with the Facility Enterprise. In turn, the Facility Enterprise must decide whether to lower the cost enough to again attract the Educational Enterprise into the building, to seek an alternative use, or to raze or sell the building. In this instance, the Facility Enterprise proposes to lease the astronomy building to the local science museum. Under the established practices, the Facility Enterprise discusses this change with the Educational Enterprise to be sure that its baccalaureate programs will not be adversely affected by this new use.

Two other examples of enterprise interaction illustrate the potential of the system. Teaching Enterprises and Educational Enter-

FACILITIES
Responding to Changing Campus Needs

Figure 5



1. Working together, the Educational Enterprise and the Teaching Enterprises make their needs known to the Facility Enterprise: substantive demands are reflected in changes in the annual working agreement.

2. Both Learning Technology and Learning Resources work with the Facility Enterprise on space changes needed as a result of changes in their working agreements with the Educational Enterprises.

Governance under the new enterprise model is radically different from the present system. There is less need for detailed operating policies and specified acceptable practices.

prises come together to request from the Facility Enterprise improved lighting in the parking ramps. Without it, they maintain, the choice of majors by women will be artificially constrained, a conclusion reached in the previous year's program reviews and by the Learning Connection. If the Facility Enterprise does not move quickly to make these changes, students, faculty, and the institution will be adversely affected.

Another example: In this year's discussion, one Facility Enterprise has proposed to construct a number of state-of-the-art, modular lab facilities on the edge of the campus to be made available within nine months at a cost lower than the per-square-foot charge of the older facilities on the central campus. Selected Teaching Enterprises are interested in this option because it could increase their opportunities to compete for recently announced federal research funds.

GOVERNANCE: HOW IS THIS HIGHER EDUCATION SYSTEM GOVERNED?

Governance under the new enterprise model is radically different from the present system. There is less need for detailed operating policies and specified acceptable practices. The Higher Education Policy Board develops broad policy guidelines that set overall objectives for higher education. The board works to ensure that performance data are collected and incentive systems developed to promote effectiveness. A large portion of the board's time is spent reviewing performance data for the objectives for higher education it has set. If shortcomings are evident, the board must reexamine relationships among enterprises, reevaluate accountability systems, and rethink incentives.

In the enterprise system, incentives are more focused and directly felt by all involved. Conflicting interests (for example, between individual scholarly interests and overall institutional objectives) are separated into different organizations.

This means less need for protracted debates about conflicting institutional priorities. As a result, the unproductive nuances of academic governance are eliminated, and more energy is spent reviewing enterprises and assessing their performance from a customer's

viewpoint. The incentives in these negotiations are more focused and less contradictory than current governance relationships.

Most important, the accountability within each transaction is stronger and more clearly placed. For example, to accomplish its objectives, a Learning Connection must have detailed quality and performance data from the Educational Enterprises. Consequently, students are in a more powerful position to demand higher quality instruction, which in turn demands higher quality instructional services from each Teaching Enterprise (see figure 6).

Both Educational Enterprises and Teaching Enterprises are free to set their own agendas; however, each must develop customer-driven service to generate sufficient revenues. To cover the investment in the physical plant, facility managers must respond to the needs of those paying the bills.

Today's faculty committee on space utilization will either disappear or take on added importance by becoming part of specific negotiations with the Facilities Enterprise. The committee's agenda should be very clear.

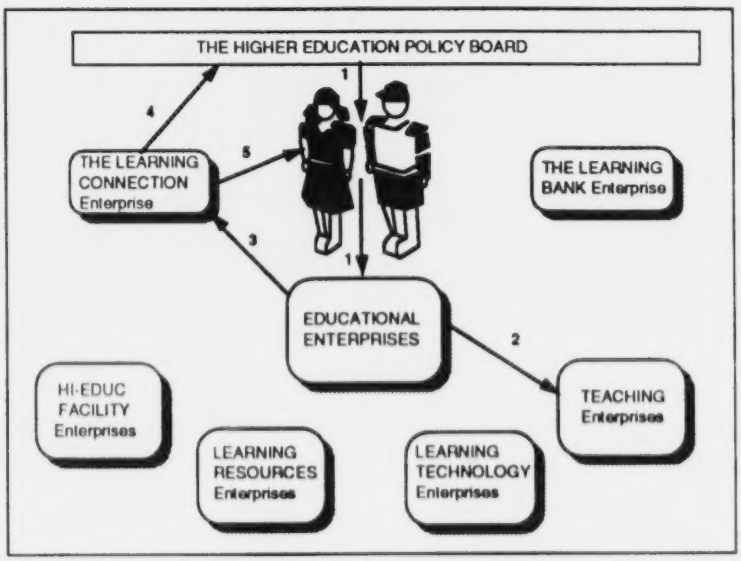
The enterprise model also dramatically reduces the quantity of codified policies and regulations. Discourse shifts from questions about roles and authority to a focus on issues of value created and value added by transactions among enterprises. Behaviors change more quickly (and easily) as each transaction results in immediate feedback and/or payback based on effectiveness.

Discourse shifts from questions about roles and authority to a focus on value created and value added by transactions among enterprises.

QUALITY

Giving Power to Consumer Choice

Figure 6



1. As a matter of policy, the Higher Education Policy Board requires that detailed program performance data be collected on all programs offered by Educational Enterprises.

2. Educational Enterprises would then design a system for evaluating the effectiveness of educational services provided by the Teaching Enterprises as well as the overall educational experience provided by the Enterprise.

3. Summary program data is given to the Educational Connection for use in counseling students and to meet their HEPB responsibilities for program review.

4. The Higher Education Policy Board also requests the periodic review of employment trends and skill needs. It purchases these data from the Learning Connection.

5. Students have available detailed program review information as well as employment trends to inform their educational decision making.

SECTION 3: LEADING CHANGE—MOVING TOWARD THE ENTERPRISE PARADIGM

If this family of enterprises were to replace the existing higher education system, the results would be revolutionary. But, actual implementation—the strategy of "how to get from here to there"—is a formidable barrier. In other words, as they ask on today's street corner, "Can you walk the talk?"

We offer two different paths toward implementation. The first is a series of management strategies to move an entire higher education system toward the enterprise paradigm. The second, a pilot test, selects and establishes only one of the seven enterprises.

MOVING A SYSTEM TOWARD THE ENTERPRISE PARADIGM

As discussed in previous sections, a series of major characteristics distinguishes the enterprise paradigm from the current higher education system. If management strategies that support these characteristics are put in place, higher education will move toward the enterprise model of delivery. Five strategies are laid out below.

1. Focus on the customer

Each activity and unit must recognize who it is serving. For each transaction, there is *one* primary customer. A thorough understanding of the needs and expectations of this customer is the first step toward enterprise management.

To take this step, a system should do the following:

- require campuses, colleges, and departments to collect data on

The success of the enterprise paradigm relies on regular assessment of performance, and timely linkage of these data to resource allocations and rewards.

customer needs and expectations,

- review these data and discuss their implications,
- stress the importance of maintaining close contact with customers, and
- highlight different ways of building a deeper understanding of customer needs.

2. *Require regular measurement and feedback*

The success of the enterprise paradigm relies on regular assessment of performance, and timely linkage of these data to resource allocations and rewards. It is essential that all units develop methods to assess their performance regularly. These may be formal evaluations (for example, surveys or student or employer focus groups) or unobtrusive measures (for example, gauging a unit's success in functioning by the revenues generated). The latter may be more powerful as well as more efficient.

For these data to be effective, they must be shared regularly with student-customers to enable them to make more informed decisions. Such empowerment makes students more demanding, which leads to a continuous cycle of quality improvement.

3. *Push decision-making and accountability down*

Effective decisions are made when there is congruence among those who have information, those who are accountable, and those who make decisions. We can all cite examples of wrong-headed decisions, made when those with information were far removed from those making decisions.

Currently, higher education invests authority for curriculum decision-making with those who teach. Yet, the real accountability for such decisions rests with the board, the institutional officers, or the deans who must suffer the consequences of lower enrollment or irate legislators. The faculty who have the information and teach the classes also must feel the full impact of their curriculum decisions.

Enterprise management gains its power through the alignment of accountability, information, and decision-making. This alignment most often occurs when decision-making is pushed down in the organization.

To decentralize decision-making, the following step-by-step guidelines may be useful:

- First, let the customer decide.
- If that is not possible, let the front-line individuals most in touch with the customers decide.
- Alternatively, let the unit delivering the service decide.
- And only as a last resort, let the central authority decide.

Higher education is a complex web of top-down and bottom-up decision making. Our inability to deliver the high quality services of which we are capable is most often caused by a misalignment of information, decision-making, and accountability.

4. Make controls an asset

In today's colleges and universities, assumptions of cheating and poor performance lead to rigid guidelines. It is not surprising that we recoil at the pejorative connotations of the words *organizational controls*.

Organizational controls, however, can be powerful—even liberating—forces. For this to occur, the control orientation must be transferred from managing costs, granting permission, and measuring inputs to valuing creativity and service delivery. Oversight groups such as the Higher Education Policy Board should *retain tight controls on the results that customers value* but should only minimally control the means for delivering services. Of course, important operational principles such as equal employment opportunity should be maintained while removing bureaucratic red tape.

Organizational controls . . . can be powerful—even liberating—forces. For this to occur, the control orientation must be transferred . . . to valuing creativity and service delivery.

The higher cost of current controls makes this move attractive. Because many controls are introduced for the benefit of the provider rather than the customer, they rob the organization of its capacity to create additional value. For example, requiring students to run from office to office gathering rubber-stamped signatures on registration forms assumes cheating or a lack of knowledge on the part of

Jobs are defined in terms of outcomes or value created for customers, rather than in terms of roles within the institution.

students. Similarly, centralized offices that scrutinize travel vouchers assume faculty cannot be trusted; they also resist vesting budget responsibility with the department whose bottom line would be affected by the cheating employee.

Controls are an important tool in moving toward enterprise management, but they must be aimed at organizational outcomes and value the creation, not the means, of service delivery.

5. Build in continuous value improvement

The enterprise paradigm is oriented toward continuous quality improvement. Hence, the techniques of TQM (Total Quality Management) are essential items in the new toolbox of enterprise management.

Jobs are defined in terms of outcomes or value created for customers, rather than in terms of roles within the institution. Although nomenclature changes may seem superficial, they demonstrate the institution's customer orientation (academic affairs becoming *learner outcomes*, the medical school becoming *human health*). Budgets can then be viewed in terms of results delivered rather than in terms of the cost of doing business.

By implementing these five steps, state systems of higher education can move toward enterprise management. An alternate approach, however, is to develop a strategic enterprise that embodies all of these principles in one operating unit, as described below.

ESTABLISHING A PILOT ENTERPRISE

Often, demonstration is the most powerful teaching tool. By creating one full-blown pilot enterprise from the seven that comprise the whole system, statewide systems can move closer to establishing an enterprise model.

Of the enterprises described in the previous section, the leading candidates for such a

pilot test are Learning Technology, Learning Resources, or Facilities. These are perhaps the easiest to pull out of the current higher education system and give autonomy. They are also enterprises in which the customer (that is, the higher education institution) could easily be given some choice of services—an essential characteristic of the enterprise paradigm.

Whichever of these three is chosen as a pilot, that enterprise must operate completely off the revenues earned from those it serves. User institutions pay for services received.

For example, if chosen, the Technology Enterprise establishes performance objectives in consultation with the institutions it serves. It then develops a business plan for the year, containing projected costs and revenues. If the enterprise is to use campus services, it pays an overhead fee. System-wide policies concerning employment practices and ethical guidelines are still required of the enterprise, and a proportion of any surplus revenues is to be shared with the Higher Education Policy Board to improve the overall quality of higher education services.

As the buyer of technology services, the institution (the customer in this relationship) has the flexibility to choose the most cost-effective supplier. If another technology enterprise, public or private, offers better value under the specified guidelines, then the institution can contract with it for services.

A "backdoor" way to introduce enterprise management is to establish the Learning Connection. The nature of this enterprise demands that accountability information be collected. Moreover, this enterprise empowers students to make more informed choices. This, in turn leads to a more responsive, more accountable higher education system.

CONCLUSION

Although some units have traditionally followed enterprise management principles for decades, the enterprise paradigm is a new toolbox for most of higher education. Given the history and current structure of higher education, the two tools with the most potential for creating effective change are accountability and incentives. If higher education can better align its accountability structure with customer needs, the public concern about declining quality can be mitigated. If the incentives that motivate all of us who work in higher education are reconfigured to support our real customers, changes can be nothing short of dramatic.

AFTERWORD

Since this proposal was first drafted, we have discussed it with a number of colleagues[4] and have made a number of workshop presentations. As a result, we realize that further explanation of selected points may be helpful.

We purposely set out to build on the same principles of enterprise management that are receiving much attention in other public sectors. We took our reinvented model to the operational level of detail so that readers can get a glimpse of how such a system might function. In working with clients, we have found that the operational detail is most effective in communicating this new way of thinking.

Our purpose, however, is not to prescribe the exact nature of the reinvented system. Instead, we want to give readers a new framework for addressing the challenges facing higher education. We believe that enterprise management is built on a set of principles consistent with higher education's needs and aligned with the powerful transformational changes taking place in our society.

This proposal should not be construed as an "all or nothing" model. Intermediate, exploratory steps built on the principles of enterprise management can be taken, as we discussed in section 3. Some higher education systems, discussed below, have already taken significant steps in this direction. It is our hope that others will also start this journey.

Some readers also may fear that we are calling for the dissolution of higher education as we know it today. We do not want to minimize the dramatic nature of the changes we are proposing. However, if we could transport ourselves to this reinvented model and walk around its cam-

This proposal should not be construed as an all-or-nothing model. Intermediate exploratory steps built on the principles of enterprise management can be taken . . .

puses, we might see few differences. Students would be attending classes and studying in the library. Athletics and social activities would still be part of campus life. Faculty would be working on their latest research projects or preparing for class. The "ivy covered campus" need not disappear. In fact, if customers and policy makers say they want "more ivy," this model would encourage its continued development.

However, in other locations, we anticipate more dramatic changes, as educational enterprises build curricula more directly around the special needs of certain populations. Academic calendars might be significantly altered. Alternative pedagogies might find a more supportive environment if they deliver results. To older students who find the "place" of campus to be constraining rather than reinforcing, Educational Enterprises would find other ways to create a community of scholars.

The power of this proposal rests, in part, in its capacity to embrace a much wider range of education models. As customers of their institutions, students are given a forceful voice in expressing their needs for education. Incentives and accountability measures are employed to reward those enterprises that respond to these needs and deliver results.

In this approach, we see faculty as having *more* freedom to develop new curriculum proposals. Faculty with new pedagogical approaches would have strong incentives to develop them. Policies would encourage like-minded faculty to come together to form an enterprise around a new discipline or a new pedagogical style, with the clear proviso that each approach must deliver results and respond to the needs of those being served. Resources follow those who meet these objectives.

Some fear this model could lead to a lowering of standards, as students decide what *they* want to learn. But, giving the customer power does not mean that first-year students are the sole voice determining what will be taught in first-year English. The fourth-year

student has a *better* understanding of what is needed from first-year English than does the first-year student. Alumni also have a most valued perspective on the importance of first-year English. These groups can play a powerful role in shaping the expectations of entering students.

We also can learn from other sectors of society that use the enterprise approach. For example, most large department stores today are a collection of independent enterprises. Retailers such as Nordstrom or Dayton-Hudson no longer own and operate everything in their stores. The carpet department may be a separate enterprise owned and operated by an independent carpet retailer. Cosmetic departments are comprised of manufacturers' representatives who provide their own merchandise and displays. Book departments may actually be independent companies staffed by their own employees.

A relevant example exists in health care. When a heart transplant is performed, the people standing around the operating table may be employees of many different enterprises. The nurses may work for the hospital, the anesthetist for one medical group and the surgeon for another. If this enterprise approach can work successfully for something as intricate as a heart transplant, it certainly can work for higher education.

... enterprise management is not a new concept to higher education.... Non credit courses have been offered under enterprise management for decades.

Our favorite example is the Metropolitan Airport Commission (MAC), which owns and operates the Minneapolis-St. Paul airport. It has the responsibility of delivering effective air service to the citizens in the upper Midwest. Under its roof, over 18,000 people are employed each day, delivering service to customers and assisting the MAC accomplish its mission. *Yet the MAC has only 375 employees of its own.*

As pointed out in section 1, enterprise management is not a new concept to higher education. The auxiliary services on most campuses (for example, dormitories and food services) are independent. Some colleges still find it cost-effective to have their own food services, but many others contract out the function. Non-credit offerings have been offered under enterprise management for decades.

The research activities of most higher education institutions are actually a living testimony to the power of enterprise management.

Since developing these ideas, we have become aware of a number of new examples of enterprise management in higher education. Since 1986, the Indiana Commission on Higher Education has managed the Indiana College Placement and Assessment Center, which provides Indiana high school students with a great deal of valuable "consumer" information about their postsecondary options. It is similar in purpose to the Learning Connection we have proposed.

In North Dakota, the State Board of Higher Education and its staff are implementing a number of enterprise management approaches. They are streamlining support activities by establishing single service centers for functions such as purchasing, data processing, and human resource management. For example, prime vendors under contract will offer "just-in-time" inventory control. These operations will be funded by the those receiving the service. Built into this approach are strong and direct incentives for these service centers to respond to the needs of their customers–the faculty and staff at institutions–rather than to some central administrative bureaucracy.

EDUCOM, a higher education organization focused on computing and telecommunications, recently invited interested parties to come together under the rubric of "learning productivity." Their objective is to create a consortium of resources to develop multimedia curriculum materials that can be used across a wide range of institutions. This project has the potential for separating curriculum development from curriculum delivery. If successful, this project could dramatically alter the role of instructional faculty from dispensers of information to coaches of learning.

Some of our early readers also asked how these approaches apply to functions other than teaching. The research activities of most higher education institutions are actually a living testimony to the power of enterprise management. Since the early 1950s, policy makers at the federal level have established powerful research incentives by developing grant programs. These programs are altered regularly to respond to the changing research

needs of the country. Faculty and research teams are free to respond or not, but experience demonstrates that properly designed incentives and feedback are a most effective mechanism for encouraging activity in new directions. This is because feedback is immediate and powerful in the form of peer review. Although we did not develop detailed models of the enterprise approach for other higher education activities, enterprise principles can be used for all aspects of the higher education mission.

Enterprise management, therefore, is not new. We are, however, asking that this set of principles be applied more extensively to the core functions of the institution (curriculum, faculty affairs, and the design of degree programs). We are convinced that the results will have a powerful, beneficial effect on everyone involved in higher education. Just as many of the higher education structures put in place at the turn of the nineteenth century were designed to meet the needs of our emerging industrial nation, enterprise management gives higher education the tools necessary to respond to the dramatically different society of the twenty-first century.

Enterprise management gives higher education the tools necessary to respond to the dramatically different society of the twenty-first century.

NOTES

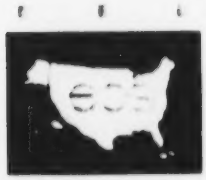
[1] David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Addison-Wesley, 1992.

[2] Michael Barzelay and Babak Armajani, *Breaking Through Bureaucracy*, University of California at Berkeley Press, 1992.

[3] Many thanks to Ted Kolderie for his seminal thinking on "breaking the mold" and for many of the examples that have stimulated and guided our thinking in developing this proposal.

[4] Thanks to David J. Berg of the University of Minnesota, Theodore Marchese of the American Association for Higher Education, William F. Massy of Stanford University, James Mingle of the State Higher Education Executive Officers, and Donald Norris of Strategic Initiatives, Inc.

SHEEO



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